

DEC 5 1982

Dear Sir/Madam:

We have considered your application for recognition of exemption from Federal income tax as a business league described in section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you are a membership organization incorporated to conduct any or all lawful affairs not required to be specifically stated in the articles.

Your income is derived solely from your members. Your expenses consist primarily of advertising expenditures. The organization conducts an advertising campaign to encourage the use of products and services of the automobile dealers who are members of the organization. You have an advertising agreement with [REDACTED] which provides for the advertising and promotion of the sale and services of [REDACTED] products in the organization's territory.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 67-77, 1967-1CB, 138, held that an organization composed of dealers in a certain make of automobile in a designated area organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile was not entitled to exemption under section 501(c)(6). The rationale of this denial of exemption was that the organization was performing particular services for its members.

12/6/82

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
		[REDACTED]	[REDACTED]				
SUR-NAME							
DATE		11/10/82	12/3/82				

[REDACTED]

Revenue Ruling 68-182, 1968-1, CB 263, states that it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(a)(6) of the Code.

From the information you have submitted, and which has been cited in this letter, your organization is similar to the organization in Revenue Ruling 67-77 above. Also by promoting only a brand name product you are not promoting a line of business but are performing particular services for your members. It is therefore concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination you are required to file Federal income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]  
District Director

Enclosure

cc: [REDACTED]